

VZCZCXRO4136

OO RUEHAG RUEHAST RUEHBI RUEHCI RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK  
RUEHKW RUEHLA RUEHLH RUEHLN RUEHLZ RUEHNEH RUEHNP RUEHPOD RUEHPW  
RUEHROV RUEHSK RUEHSL RUEHSR RUEHVK RUEHYG  
DE RUEHTA #1620/01 2680609  
ZNR UUUUU ZZH  
O 250609Z SEP 09  
FM AMEMBASSY ASTANA  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6332  
INFO RUCNCIS/CIS COLLECTIVE 1965  
RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 1334  
RUEHKO/AMEMBASSY TOKYO 2033  
RUEHUL/AMEMBASSY SEOUL 0985  
RHMFISS/DEPT OF ENERGY WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEAIIA/CIA WASHDC  
RHEFAAA/DIA WASHDC  
RHEHNSC/NSC WASHDC 1520  
RUEKJCS/SECDEF WASHDC 1401  
RUEKJCS/JOINT STAFF WASHDC  
RHMFIUU/CDR USCENCOM MACDILL AFB FL  
RUEHAST/USOFFICE ALMATY 1882

UNCLAS SECTION 01 OF 02 ASTANA 001620

SENSITIVE  
SIPDIS

STATE FOR SCA/CEN, EEB/ESC  
STATE PLEASE PASS TO USTDA

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [ENRG](#) [EINV](#) [KZ](#)

SUBJECT: KAZAKHSTAN: NEW POWER LINE INCREASES ENERGY INDEPENDENCE

REF: (A) ASTANA 0419  
(B) 08 ASTANA 1373  
(C) ASTANA 0251

ASTANA 00001620 001.2 OF 002

11. (U) Sensitive but unclassified. Not for public Internet.

12. (U) SUMMARY: On September 17, Kazakhstan President Nursultan Nazarbayev attended a ceremony in the northern Kazakhstan city of Ekibastuz to mark the completion of the country's second north-south power transmission line. The 500 kilovolt (kV) line, completed ahead of schedule at a cost of \$290 million financed by the World Bank and European Bank for Reconstruction and Development, will allow the country's national grid operator to deliver power generated in Kazakhstan's north to major load centers in the south. President Nazarbayev celebrated the completion of this new line by asserting that Kazakhstan's southern region, including the major cities of Almaty, Shymkent, and Taraz, would no longer depend on power transmission from Kazakhstan's southern neighbors, and that Kazakhstan has "become fully independent from all other electricity exporters." END SUMMARY.

13. (SBU) The completion of the second north-south transmission line is an important development for Kazakhstan that will substantially contribute to the Kazakhstan Electric Grid Operating Company's (KEGOC) ability to supply southern load centers with power during winter peak demand. Until completion of the first north-south transmission line in 1997, southern Kazakhstan operated in isolation from the power system in the north, due to design limitations of the Soviet-legacy Central Asia Power Grid (CAPG) that linked Kazakhstan with Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan. In recent years, the supply from the CAPG has become unreliable, with frequent line faults, generation capacity shortfalls, and mismanagement by grid-operating companies in other CAPG countries resulting in outages in Kazakhstan's south (ref A). The new line will also help alleviate frequent over-loading of the existing north-south 500kV line. The April 15 outage that plunged Kazakhstan's southern load centers, as well as Kyrgyzstan's capital

Bishkek, into complete darkness for many hours resulted from such overloading.

14. (SBU) KEGOC and representatives of the Tashkent-based Coordinating Dispatch Center (CDC) confirm that the second north-south transmission line will improve supply reliability in Kazakhstan's south and KEGOC's flexibility to respond to emergency situations and unsanctioned drawing of load in other parts of the CAPG (ref A). (NOTE: Should KEGOC temporarily withdraw from the CAPG, Kyrgyzstan will likely bear the brunt of such a decision, as was the case in February and April of this year. END NOTE.)

15. (SBU) Contacts at KEGOC and CDC asserted that KEGOC does not intend to discontinue its coordinated operation as part of the CAPG. KEGOC will continue to rely on hydroelectric facilities in Kyrgyzstan and Tajikistan for least-cost, peak-load generation and to regulate capacities and balance power (ref B). Moreover, Kazakhstan's ability to meet the country's current power demand through existing generating capacities may partially result from the approximately 10 percent fall in consumption that has accompanied the global economic decline and reduced Kazakhstan's industrial output. Furthermore, Kazakhstan's marginal cost for production at its more expensive plants, such as the Dzhambul power plant in Taraz, is considerably higher than power sourced from Kyrgyzstani or Tajikistani hydroelectric plants. As economic activity increases, growth in demand will ensure that Kazakhstan remains reliant on continued parallel operation within the CAPG for least-cost power generation.

16. (SBU) COMMENT: The completion of the second north-south transmission line demonstrates that Kazakhstan -- like its neighbors Uzbekistan, Kyrgyzstan, and Tajikistan, who are also pursuing expansions of their national high-voltage transmission grids -- considers it a priority to invest in critical economic infrastructure. While the line will immediately improve the

ASTANA 00001620 002.2 OF 002

reliability of power supplied to Kazakhstan's south, the expanded capacity in the long term will also enhance dispatch optimization and regional trade in what has effectively become an expanded CAPG. For Kazakhstan, and for the rest of the Central Asian region, the greatest challenge in the coming decade will be to finance new power generation capacities whose costs dwarf, by an order of magnitude, the cost of transmission capacity construction. It is therefore especially important to develop market infrastructure and policy initiatives at the regional and national levels that ensure adequate revenues for the power sector. END COMMENT.

HOAGLAND